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AUTHOR Richards, Donald M.
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ABSTRACT

The purpose of this paper was to report on the system of school finance in the province of Alberta. The first part of the paper consists of an outline of the legal framework in the Canadian constitution, a description of the current school finance plan, and a summary of a 1979 study of the plan. The bulk of the document concerns a survey of 94 school superintendents concerning their views on (1) the school foundation program fund, (2) the school grants regulations, (3) the property tax, and (4) the entire school finance system. The survey revealed a strength of the system to be its provision for the implementation of a basic provincial educational plan. Weaknesses in the system were related to tax equity and local autonomy. Other issues discussed include the Heritage Savings Trust Fund and grants to private schools. (Author/LD)

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Superintendents Reactions to
School Finance in Alberta

A Paper Prepared for the
American Educational Finance Association

by

Donald M. Richards

Department of Educational Administration,
Faculty of Education,
The University of Alberta,
Edmonton, Alberta

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The purpose of this paper is to report on the system of school finance in the Province of Alberta. The paper consists of an outline of the legal framework within the Canadian constitution, a description of the current school finance plan, a summary of a 1979 study of the plan, and a report on a current study of the plan.

The Legal Framework

School finance in Alberta is constrained by the British North America Act (B.N.A. Act), the Northwest Territories Ordinance, and the Alberta Act. The B.N.A. Act provided that education was to be a provincial responsibility. The Northwest Territories Ordinance provided for the protection of the education of religious minorities. The Alberta Act provided for the continuation of the education provision of the Northwest Territories Ordinance.

The letter of the B.N.A. Act, if not the intent has been followed. The Federal government involvement in education is restricted to the education of Indian and Inuit children, military personnel and their dependents, and various "training" programs. Only in the case of the training programs has there been any degree of conflict between the two levels of government.

As to the protection of minority religious groups, only Roman Catholic or Protestant religious minorities are included. Thus, Alberta has separate school districts for religious minorities. The funding for the separate districts is essentially the same as the funding for public school districts.

The B.N.A. Act also provides that a province may establish local governments to assist in the performance of its duties. Alberta has established several different local government bodies for education. These include school districts, separate school districts, school divisions, counties, consolidated school districts, and regional school districts. These local authorities in education have been assisted in their duties through a combination of assigned taxes, assigned programs, shared programs, and grants.

Assigned Taxes

The school authorities in Alberta, both public and separate, are allowed to supplement their grants revenue through the property tax. The levy, for school purposes, is set by the school authorities and collected by the municipal authorities. Since each of the school authorities in a region may set its own levy, many regions have two different mill rates for school purposes. That is, the separate school district may set one mill rate and the public district may set a different mill rate. Thus, the supporters of one district will pay property taxes on a different mill rate than the supporters of the other district. The supplementary requisition for school authorities has some constraints.

Each year, the Province sets a ceiling on the increase in the supplementary requisition. Local school authorities can apply the ceiling to either the mill rate or the revenue generated by the property tax. Local authorities can exceed the ceiling only at the risk of a petition for a plebiscite. In 1979, four jurisdictions exceeded the ceiling with only one of the four having to pass the

plebiscite. On the other hand, 60 jurisdictions set tax rates below the ceiling (Duke, 1980).

Assumed Programs and Shared Programs

The Alberta Department of Education provides some services directly. The Province operates a school for deaf children and a correspondence school. The regional offices of education also share the task, with the local authorities, of school evaluation. In reality, the local school jurisdictions provide most of the educational services to children and the majority of services to schools.

Grants

The school grant system in Alberta consists of two major parts: a) The School Foundation Program Fund and b) The Grants Regulations. It is estimated that in 1980-81, 663 million dollars or 88.5 per cent will be distributed through the School Foundation Program Fund, and 86 million dollars or 11.5 per cent will be distributed through the Grants Regulations (Duke, 1980). There is some irony in those figures in that the Grants Regulations are vastly more complex than the School Foundation Program Fund.

School Foundation Program Fund. The School Foundation Program Fund consists of four parts: A) Instruction, B) Transportation, C) Administration, and D) Debt Retirement and Building.

The Instruction part of the S.F.P.F. consists of a series of per pupil grants. For 1979 the grants have been set as follows: grades 1-6 \$1,242 per pupil, grades 7-9 \$1,302 per pupil, and

grades 9-12 \$1,491 per pupil. The implicit weighting factor in the grant is 1: 1.05: 1.20. The instructional grant is paid on the basis of the number of pupils enrolled in public and separate schools. For pupils enrolled in private schools, the grants are sixty-five per cent of the above.

The Transportation part of the S.F.P.F. is a complex grant. The size of the grant depends upon the capacity of the vehicle, the number of school days, the distance travelled, and the load factor. In addition, there are a number of adjustments for transportation for handicapped and for other types of vehicles. A separate formula exists for urban school systems.

The Administration part of the S.F.P.F. consists of three per cent of the total paid for instruction and transportation.

The Debenture Retirement part of the S.F.P.F. provides grants for the repayment of approved debt for approved projects.

The estimated expenditures for 1980-81 under the S.F.P.F. part of the grant system is as follows: A) Instruction - \$549,780 thousand, B) Transportation - \$42,951 thousand, C) Administration - \$17,782 thousand, and D) Debt Retirement - \$53,252 thousand. These expenditures are the following proportions: 82.8 per cent, 6.5 per cent, 2.7 per cent, and 8.0 per cent respectively (Duke, 1980).

The Grants Regulations. The Grants Regulations consists of seventeen parts, sixty-two sections, and six schedules. Furthermore, at least one more section and probably one more part and one more schedule will be added in the near future. It is not possible in a

paper of this nature to provide details of all of the grants but the Index from the Grants Regulations has been attached as an appendix.

Of the total of \$85,992 thousand (estimated) to be spent under the Grants Regulations this year, \$47,968 thousand will be spent through conditional grants. These amounts are 55.8 per cent and 44.2 per cent of the total respectively.

If the entire grant systems is reclassified into the categories of unconditional and conditional, the figures are as illustrated in Table 1. Nearly eighteen per cent of the funds are conditional grants of some form while the other eighty-two per cent of the funds are unconditional.

1979 Study

In 1979, a study of the trends, over a ten year period, in the school finance system was conducted (Bryce, 1979). The conclusions were as follows:

Since 1968, the School Foundation Program Fund has become more rigid without any overall change in complexity. Local school jurisdictions have lost their ability to determine, even in part, the size of their grant. With the earlier grants, school boards could make changes in the level of training of their teachers, the designation of responsibilities of their teachers, or the cost of their transportation system with the knowledge that these changes would affect the size of their grants. Now the grants are determined by factors which are beyond their ability to control.

Other grants under the School Grants Regulations have grown in number, scope, and complexity, resulting in apparent disorganization. Their detail of specification and diffusion of purposes inhibits public understanding. Perhaps the grants which are for purposes other than incentive, such as the Canada Pension Plan grants, the Declining Enrolment grants,

Table 1
Conditional and Unconditional Grants
in Alberta - 1980-81

Part	Conditional		Unconditional		Total	
	Amount (000's)	Per Cent	Amount (000's)	Per Cent	Amount (000's)	Per Cent
School Foundation Program Fund	\$96,203	12.83	\$567,562	75.70	\$663,765	88.53
Grants Regulations	\$38,024	5.07	\$ 47,968	6.40	\$ 85,992	11.47
TOTAL	\$134,227	17.90	\$615,530	82.10	\$749,757	100.00

Source: Duke, 1980.

Requisition Equalization grants and a few others should be considered as additional parts of the School Foundation Program Fund. The remaining incentive grants would thus become fewer and perhaps clearer in purpose.

In general, one must conclude that the grant system of 1978-79 (as in force at the time of writing) appears to be more restrictive of, and prejudicial to, local control than the system in force a decade ago.

A Recent Survey

Since the system of grants has not changed substantially during 1979 and the fact that the 1979 study had concluded that the grant system was rigid and complex, it was decided to survey the superintendents of schools as to their opinions. A questionnaire was constructed and sent out to each of the 94 school superintendents in Alberta. Seventy-nine usable questionnaires were returned (84 per cent).

The questionnaire sought views on (1) the School Foundation Program Fund, (2) the School Grants Regulations, (3) the Property tax, and (4) the entire School Finance System. In attempt to have the Alberta School Finance System judged in terms of its purposes, the items of the questionnaire were based upon the principles of the plan as set out in the 1975 report of the Minister's Advisory Committee on School Finance (MACSF, pp. 4-8).

The questionnaire used a five point scale from strongly disagree to strongly agree. The set of items was repeated four times--once for each of the three major parts of the Alberta

school finance system and once for the entire system. The set of items consisted of the following:

Provides for an equalization of tax effort among jurisdictions

Provides for fiscal equalization among jurisdictions

Provides for a diversity of revenue sources to finance education

Provides for local autonomy in education

Provides for the implementation of a basic provincial education plan

Provides an incentive to improve education at the local level

Is clear and comprehensible

It should be noted that the last item was not clearly based upon the MACSF Report but seemed to be a reasonable concern with regard to the conclusions of the 1979 study.

The Scale. The first step of the analysis was an attempt to determine the underlying factors through a factor analysis. The unrotated matrix revealed that a single factor accounted for thirty-six per cent of the total variance while an additional six factors, together, accounted for an additional thirty seven per cent of the total variance. Furthermore, all variables had a loading greater than 0.3 on the first factor and all but two variables had a loading greater than 0.4 on that same factor. The scale was thus judged as unidimensional and likely measured some general reaction (favorable or unfavorable) to the school finance system.

The factor loadings were forced through rotation and the number of factors was systematically reduced from seven to two. None

of these steps produced a set of clear groupings of items but there were some contingencies among the loadings.

The equity items, related to the S.F.P.F., loaded on a different factor from the equity items related to the Grants Regulations and the same factor as the equity item related to the Property tax. The comprehensibility items on each of the four parts tended to load on the same factor and other items did not load on that factor. The local autonomy item of the property tax did not load on the same factor as the local autonomy items of the other three parts of the questionnaire.

The Item Responses. The second step of the analysis was to evaluate the means and standard deviations of each item. Those figures were then used to compare the mean responses to a neutral response for each item. That is to say, on a scale ranging from 1 to 5 with 3 given as a neutral, a set of random responses should have a mean not significantly different from 3. This hypothesis was tested for each item and for the means of the seven items for each part. The results are shown in Table 2.

An attempt was made to contrast the results with results that might have been expected. For the purposes of establishing the expected results, the S.F.P.F. was viewed as unconditional and the Grants Regulations was viewed as conditional. The expected and observed results are shown in Table 3.

Table 3 contains some results that were contrary to the theories of grants systems. The S.F.P.F. was viewed negatively in

Table 2
Mean Responses to Questionnaire
Items (N = 79)

Item	S. F. P. F.	Grants Reg	Property Tax	Entire System
Provides for an equalization of tax effort among jurisdictions	2.797	2.949	2.101 Sig	2.734 Sig
Provides for Fiscal equalization among jurisdictions	2.734 Sig	2.861	1.975 Sig	2.646 Sig
Provides for a diversity of revenue sources to finance education	2.759 Sig	3.127	2.671 Sig	3.038
Provides for local autonomy in education	2.835	2.354 Sig	3.038	2.620 Sig
Provides for the implementation of a basic provincial education plan	3.456 Sig	3.038	2.544 Sig	3.266 Sig
Provides an incentive to improve education at the local level	2.494 Sig	3.127	2.797	2.747
It is clear and comprehensible	3.316 Sig	2.975	2.139 Sig	2.975
TOTAL	2.913	2.915	2.609 Sig	2.861

alpha = 0.05

Table 3
Expected and Observed
Responses to Questionnaire
Items (N = 79)

Item	S.F.P.F.		Grants Reg		Property Tax		Entire System	
	E	O	E	O	E	O	E	O
Provides for an equalization of tax effort among jurisdictions	+	N	N	N	-	-	N	-
Provides for fiscal equalization among jurisdictions	+	-	N	N	-	-	N	-
Provides for a diversity of revenue sources to finance education	+	-	N	N	+	-	N	N
Provides for local autonomy in education	+	N	-	-	+	N	N	-
Provides for the implementation of a basic provincial education plan	N	+	+	N	-	-	N	+
Provides an incentive to improve education at the local level	N	-	+	N	-	N	N	N
Is clear and comprehensible	?	+	?	N	?	N	?	N

terms of its contribution to fiscal equalization and its ability to contribute to the diversity of revenue sources. It does have the strength of being clear and comprehensible. The property tax was seen as not contributing to a diversity of revenue sources. Other results related to the first three parts of the questionnaire were reasonably close to the expected results.

The reaction to the entire system of school finance indicated weaknesses in tax equity, fiscal equity, and provision for local autonomy. It was seen as strong (perhaps too strong) in terms of the implementation of a provincial educational plan. It was neutral, as expected, in other areas.

Growth and Decline. An additional four items of the questionnaire related to A) changes in enrolment, B) changes in the number of instructional programs, C) changes in the pupil: teacher ratios, and D) changes in the number of certificated staff. Those items involved a five point scale. The scale was arranged such that deterioration or decline registered as one or two, growth or increase registered as four or five and stability registered as three. The results are summarized in Table 4. The average on all four of the items indicated a decline in enrolment, number of programs, number of certificated staff, and a deterioration in pupil: teacher ratio.

When the correlations among the four items were calculated the changes in enrolment correlated positively with the number of programs, and the number of certificated staff. The change in the pupil: teacher ratio was found to be weakly correlated to the number of programs and not correlated to the other two items. The

Table 4
Growth of Decline In School Systems
(N - 79)

	Mean	S.D.	Sig. different from 3.00 (alpha = 0.05)
Changes in Enrolment	1.772	0.885	Sig
Changes in Instructional Programs	2.380	0.681	Sig
Changes in Pupil: tea- cher ratio	2.316	0.721	Sig
Changes in number of certificated staff	2.152	0.828	Sig

correlations are shown in Table 5.

The correlations among the four growth/decline items and all of the other scale items were calculated. Using an alpha of 0.05 the following significant correlations were found:

- (1) enrolment and the S.F.P.F. diversity of revenue sources ($r = 0.225$).
- (2) pupil: teacher ratio and Grants Regulations clarity and comprehensibility ($r = 0.299$).
- (3) enrolment and the Property Tax diversity of revenue sources ($r = 0.243$).

It was concluded that growth/decline factors did not seriously nor systematically color the perceptions of the superintendents. The fact that only three significant but rather weak correlations were found can be perhaps explained as random error.

Conclusions from the Survey. The survey reveals certain perceived strengths and weaknesses in the system of school finance in Alberta. A strength of the system is its provision for the implementation of a basic provincial educational plan. This basic plan seems to be provided for through the S.F.P.F. and the Grants Regulations and not through (perhaps rightly) the Property tax.

The weaknesses in the system are related to considerations of equity and local autonomy. The use of the Property Tax was seen as contributing to tax inequities (which is not surprising). However, neither the S.F.P.F. nor the Grants Regulations apparently compensated sufficiently for the tax inequities. The overall system lacked in sufficient fiscal equalization. Both the S.F.P.F. and the Property Tax were seen as contributing to this inequality. The overall sys-

Table 5
Correlations Among Growth/Decline
Items (N = 79) ($\alpha = 0.05$)

	1	2	3	4
(1) Enrolment	1			
(2) Programs	0.522 (sig)	1		
(3) Pupil: Teacher Ratio	-0.066	0.245 (sig)	1	
(4) Certificated Staff	0.600 (sig)	0.616 (sig)	0.216	1

-tem lacked in its provision for local autonomy. This aspect was blamed on the Grants Regulations.

Of all of the reactions, the most extreme were reserved for the property tax. Could it be possible that the school systems would like to have sufficient money available without having to tax their residents?

Other Issues in School Finance in Alberta

There are at least two other issues that enter into any discussion of school finance in Alberta. These issues involve the Heritage Savings Trust Fund and grants to private schools.

Heritage Savings Trust Fund. The Government of the Province of Alberta has solved a problem of excess revenues by reducing taxes and by setting aside a massive reserve. This reserve, which is fed by 30 per cent of the oil and gas revenues of the Province, is called the Heritage Savings Trust Fund. While a precise estimate of the size of the fund is out of date when it is made, it is likely between seven and eight billion dollars at the present time. This amounts to about 3,500 dollars per person in Alberta or over 14,000 dollars per family.

The use of the money in the Heritage Savings Trust Fund has been the subject of many debates. At the present time it is used to make loans to other provinces, loans to municipalities, to purchase shares of a few companies, as well as short term investments in banks and the money market. Local governments, including school boards, have pressured the Provincial Government for money from this fund.

It has become very difficult for the Province to ask local governments to increase property taxes or borrow money for local operating or capital expenditures with the existence of this fund. As a matter of fact, most of the local debentures are financed from the Heritage Savings Trust Fund through the Provincial Municipal Finance Commission. In short, it is difficult to maintain a reasonable level of taxation with such large reserves.

Grants to Private Schools. At the present time, certain types of private schools receive sixty-five per cent of the instructional grant under the S.F.P.F. The announced intention of the government is to increase this proportion to eighty per cent through a series of three annual five per cent increases. What is not really certain is whether it can be stopped at eighty per cent or will it be increased to the full amount of the instructional grant paid to public schools. What is happening is that Alberta is developing a kind of voucher system without calling it a voucher system.

The public schools in Alberta must accept all students even if they do not have an appropriate program. The private schools do not, at the present time, have such a responsibility. Such an arrangement could lead to a private school system for talented students (of wealthy parents) and a public school system for the rest of the students. It is possible that a strategy of putting new grant money into the grants regulations rather than the S.F.P.F. may allow that money to be protected from the private school operators.

Conclusions

The superintendents of schools in Alberta have expressed some significant views on the school finance system in Alberta. These significant views involve all parts of the school finance system as well as the entire system.

The School Foundation Program Fund was seen as lacking in providing for fiscal equalization, providing for a diversity of revenue sources, and providing incentives to improve education at the local level. It was seen as strong in providing for the implementation of a basic provincial plan and in being clear and comprehensible.

The School Grants Regulations were seen as detracting from local autonomy.

The reaction to the Property Tax was fairly strong and negative. It was seen as lacking in providing for tax equalization, fiscal equalization, a diversity of revenue sources, and the implementation of a basic provincial plan. The sum of the reactions to all items relative to the property tax was also significant and negative.

It did not appear that the strengths of one part of the program compensated for the weaknesses of another according to the reactions to the total system. The school finance system was seen as lacking in providing for tax equalization, fiscal equalization, and local autonomy. It was seen as strong in providing for the implementation of a basic provincial plan.

The views of the superintendents did not appear to be related to growth or decline factors. The few significant correla-

tions that were found were relatively weak.

It is possible that the reactions to the finance plan could be motivated by political factors. The property tax may be resented by local authorities because the Province is using better taxes to accumulate massive reserves. The Province, on the other hand, may be maintaining the property tax and adding to the Grants Regulations to avoid increasing, more than necessary, the grants to the private schools.

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Appendix

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Regulations Under the Department of Education Act

SCHOOL GRANTS REGULATIONS

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